

Marine Transportation Advisory Board Meeting
DOT&PF Commissioner's Conference Room-Teleconference
Single Focus Meeting- AMHS Budget
Minutes
February 19, 2015

Call to Order

Marine Transportation Advisory Board (MTAB) Chair Robert Venables called the meeting to order at 1:04 p.m.

Roll Call to Establish Quorum

The Marine Transportation Advisory Board Presents: Chair Robert Venables, Vice Chair Josh Howes, Cathie Roemmich, Shirley Marquardt, Dan Kelly, Maxine Thompson, Pat Branson, Richard Knapp, Al Koch, and David Reggiani

Phone Roll Call and Introduction of Those Present

Department of Transportation and Public Facilities (DOT&PF) staff members present: Deputy Commissioner Neussl, Jeremy Woodrow, Jim Potdevin, Christa Hagan (Alaska Marine Highways System [AMHS] Planner), Captain Falvey (AMHS General Manager), Shannon Whistler.

The board welcomes Captain Neussl back to MTAB

Captain Neussl's Budget Overview

Back in December the Governor's original request for the budget went in for the Marine Highway System at 117,130,100 dollars and that was going to fund the fiscal year sixteen operating plan with approximately the same level of service as the fiscal year fifteen operating plan at 400 weeks of service.

This year the price of oil went down and the budget became very strained for the State of Alaska. The Alaska Marine Highway System took a 3.5 million dollar budget cut. That was reflected in the Governor's Budget as of February 5th of this year at 113,505,100. As a result of the budget decreasing we cannot run the same 400 weeks of service as the previous years.

Another factor is the price of oil went down. Which means the fuel trigger (a complicated funding formula designed to assist state agencies with increased prices of fuel; it provides additional funding for fuel when prices are high) will not be included in 2016 budget due to the price of oil being low. The price of oil is below the threshold of 70 dollars a barrel so the fuel trigger will not kick in. The net impact of that is essentially an additional 5.3 million dollar cut to Marine Highways because of the fuel trigger.

That money was assumed to be coming into the budget. The schedule of 400 weeks of service was built assuming that money would be there to operate the ships because it has been there in the past when the fuel trigger was still in place.

In October when we published that schedule, no one foresaw that the price of oil would decline as severely as it did and now the fuel trigger acts as a 5.3 million dollar cut compared to previous years. So in essence the Marine Highways is facing an 8.8million dollar operating budget cut.

Commissioner Marc Luiken and Captain Neussl had the opportunity to meet with the Governor to discuss Marine Highway issues along with all other DOT issues. One of the issues that were brought up in the meeting with the Governor, was the fact that we had published an operating schedule back in October and sold tickets on an operating schedule for service based on the 8.8million dollar budget cut we are no longer going to be able to provide. Essentially we sold tickets on ships that aren't going to run. The nature of the budget saving measures was going to be the Malaspina, Taku and the Chenega being laid up during July through September. The Governor opposed the idea of having to cancel itineraries and change the plans for people who already made their reservations. Also, the capacity of the remaining ships may not be able to cover all of that demand.

As a part of the Governor's amended budget he restored 6.289million dollars to the Marine Highway operating budget which came out of other departments within DOT to restore the sailing schedule to what it had been published as i.e. restore the Malaspina, Taku and Chenega during the months of July through September. That amendment is on the table now and has been presented to the House and the Senate. Captain Neussl met with the House Finance Subcommittee on Transportation to brief them on that change and to try to answer their questions.

One of the questions the House Finance Subcommittee had was if you took a 3.5 million dollar budget cut, why do you need 6.289 million dollars to restore that service? The answer to that question is the fuel trigger amount that was previously mentioned. That fuel trigger doesn't show up in the budget because it didn't happen, but it was projected to show up back when we made the budget and built the schedule. It's essentially a cut to the Marine Highways operating budget that we need to account for in one way or another.

The 6.289 million dollars is not guaranteed and we are not a hundred percent certain that the Malaspina, Taku and Chenega will run as scheduled. The legislatures have the opportunity to alter/modify/discuss/debate that bill (that amended change) and pass their budget. It will depend on what the legislator passes in terms of an operating budget and what Marine Highways portion of that will be as to whether we can run the entire schedule as published or whether we need to layup ships as a cost saving measure and attempt to rebook passengers.

We also eliminated the bars as a cost savings measure to save approximately 750, 000 a year. That will be a staggered implementation. Every time a vessel comes out of overhaul it will come out without the bar functioning. That service will be replaced by single service beer and wine sales through the cafeteria. The Kennicott will be the first one out of the shipyard that had a bar that will no longer have a bar operating when it comes back.

We also terminated our contracts with our professional marketing and advertising firm. We will be saving 500,000 dollars a year. You'll see the last professional generated AMHS advertisement as a result of that change. In terms of essential services sailing the ship and providing transportation is essential. Those were the decisions that were made in attempts to balance the budget.

Public Comments

David Berg with Viking Travel (Petersburg)-'I am glad to hear you're not disrupting passengers booking and our effort will certainly be to lobby the legislatures to approve your budget. It's very difficult switch passengers and it affects a lot of people along the way. I commend the group on those actions.'

Dave (Petersburg) - "I want to thank the administration. I was definitely one of the individuals that was affected by the cancelation of the boats and that I actively planned. I'd like to say that I've used the Marine Highway System for 38 years. I think the challenge that you have with MTAB is that you will be the group and organization that will be looking at these hard decisions that need to be made this next year. We have some hard decisions, we'll have to get rid of vessels and look into changing routes.

Jennifer Gibbons (Cordova)-Our community understands the challenge the State is facing and we are very concerned with cuts to service. We are in the process of a 25 million dollar building project and that is closely tied with the Marine Highway System. The other concern is people will go out of state for foods and services if the ferry runs stop.

City of Angoon- Thank you MTAB and the Department of Transportation for the job you're doing. We would like to use/rent the ferry terminal from Alaska Marine Highway. Captain Falvey's response- We still have an agreement with Angoon when we receive goods into the dock we accommodate them.

Questions from the Public-

Leslie Ross in Haines- When is the best time to be communicating legislature? Chair's Response- The time is today and yesterday would be better and tomorrow will be okay. As I understand it the House Transportation Finance Subcommittee is working through to the end of this month and then it goes on into other committees. I urge community members to be in contact with not only their own legislative leaders but also reach out to members of the House and Senate Transportations committees as well.

Jan Whitmore: Why do the Malspina, Taku and Chenega need to be laid up in the summer? Captain Neussl's response-We could not afford with an 8.8 million dollar budget cut to run the summer schedule as published. With the winter schedule you can't take many cuts because we already have half the fleet laid up.

Jon Erickson (Yakutat) With the new proposed budget how will that effect the ferry service to Yakutat? Captain Neussl's response- Only the Cross Gulf can give service to Yakutat on the Kennicot. The Kennicot is currently in a maintenance period and is expected to come out in March and start the Cross Gulf service again. The Cross Gulf run may not happen at all if the budget cuts are too severe.

Joshua Stevens (Juneau)- How did we arrive at the figures regarding the bar cuts? Captain Neussl's response- Our Ketchikan staff crunched those numbers based on yearly salaries and benefits.

Board Comments

Chair Robert Venables requested Captain Falvey to inform the board of how many military personnel and families are transported each year.

Military personnel and Families: FY12-6081, FY13-7341, FY-14 2014-6331.

Vehicles: FY12-2582, FY13-3102, FY14-2718.

Next Meeting

April 8th, 2015

Adjourn